



July 14, 2004

TO: Local Agency Formation Commission

FROM: Acting Executive Officer

SUBJECT: 2004 LAFCO Strategic Plan – 6 Month Work Plan Update

At the Annual Strategic Planning Session on January 30, 2004, staff presented the proposed 2004 LAFCO Work Plan. The Work Plan, which establishes priority projects for LAFCO during calendar year 2004, was adopted by the Commission on February 11, 2004. The following provides your Commission with a mid-year status report on the progress in meeting the current year's Work Plan priorities.

This year, the Commission's Work Plan includes four major project areas, including:

- **Municipal Service Reviews** – two prototype MSRs are being conducted in 2004 and will complete approximately 17% (13 of 75) of the total agencies required to be reviewed under the program.
- **Mandatory Projects** – projects that LAFCO is statutorily required to carry out, either by specific mandate of the Cortese-Knox-Hertzberg Act or by an application filed with LAFCO.
- **Proactive Projects** – projects in which the Commission proactively and discretionarily chooses to engage.
- **Administrative Projects** – projects which primarily involve office policy and administrative procedures, including technological upgrades, fee schedules, media and website coordination.

Attachment 1 of the staff report includes an annotated copy of the adopted 2004 Work Plan which includes specific projects under the four major project areas listed above. The annotations summarize the status of key LAFCO projects as of July 2004. Attachment 2 provides the Commission with a detailed update on the 2004 Municipal Service Review prototypes currently underway.

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BOB ALDRICH
Acting Executive Officer

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RECOMMENDATION

1. Receive and file the 2004 LAFCO Work Plan update.

Respectfully submitted,

BOB ALDRICH

Attachment 1: Annotated 2004 LAFCO Work Plan
Attachment 2: Municipal Service Review Program Update

**Orange County LAFCO
2004 Work Plan 6-Month Status Update**

MANDATORY PROJECTS

➤ *Municipal Service Reviews*

Complete prototype MSR for the Los Alamitos/Seal Beach/Sunset Beach/Rossmoor and East Orange areas, adopt required determinations and update spheres of influence for the following agencies:

- City of Seal Beach
- City of Los Alamitos
- City of Cypress (partial)
- City of Huntington Beach (partial)
- Rossmoor Community Services District
- Rossmoor/Los Alamitos Area Sanitary District
- Sunset Beach Sanitary District
- Surfside Colony Community Services Tax District
- Surfside Colony Storm Water Protection District
- City of Villa Park
- City of Orange
- IRWD (partial)
- Santiago County Water District
- East Orange Water District
- Serrano Water District
- Silverado-Modjeska Park and Recreation District

Status

- Please see Attachment 2 which provides a detailed update of the 2004 Municipal Service Review prototypes.

➤ *Newport Beach/Costa Mesa Annexation/SOI Amendments*

Proposed annexations and sphere of influence amendments in the unincorporated West Santa Ana Heights area.

Status

- Competing applications have been filed: the City of Costa Mesa has an active annexation application for the West Santa Ana Heights area; West Santa Ana Heights residents have filed for a sphere of influence change in the West Santa Ana Heights area from Costa Mesa to Newport Beach.

- City of Newport Beach has rezoned this area and is expected to file an annexation application in late summer 2004 for all or a portion of “Area 7” which includes West Santa Ana Heights, the Santa Ana Country Club and a residential/commercial area south of Mesa Drive.
- LAFCO staff continues to coordinate with the City of Costa Mesa, the City of Newport Beach and affected residents regarding annexation efforts. All applications for this area will be brought forward to the Commission at one time for consideration. Expected hearing date: Fall 2004.

➤ *Tonner Hills Annexation to the City of Brea*

Proposed annexation of approximately 790 acres of unincorporated territory to the City of Brea.

Status

- LAFCO, County of Orange, City of Brea and developers have worked together to develop inter-agency agreements, strategies, processes and timelines for development of Tonner Hills and annexation to Brea.
- The Tonner Hills property has changed ownership – from Nuevo Energy to Shea Homes.
- LAFCO, County of Orange, City of Brea and Shea Homes have reinitiated discussions for either a single annexation or multiple phased annexations of the development property to Brea.

ADMINISTRATIVE PROJECTS:

➤ *Review/Update LAFCO Fee Schedule*

Review and possible revision of fee schedule for processing of LAFCO applications; possible integration of cost accounting and recovery for major projects.

Status

- LAFCO staff, with consultant assistance, has developed an interactive fee model; the model is currently being refined prior to presentation to the Commission for consideration. Expected completion date: Fall of 2004

➤ *Personnel Policies and Procedures Update*

Revisit LAFCO’s Personnel Policies and Procedures to consider changing sick leave/vacation time accrual to be consistent with current County practice.

Status

- Staff has initiated work with our human resources consultant, Alcock & Mc Fadden, to update the Commission’s personnel policies and procedures to reflect recently adopted personnel laws and practices as well

as addressing staff sick leave/vacation accrual. Expected completion of updated personnel policies manual: Fall of 2004

➤ *Amend County Services Contract*

Consider amendments to the County's existing services contract to permit LAFCO to establish its own accounting and purchasing system.

Status

- During the past year, staff has worked closely with LAFCO legal counsel and the County to draft an amended LAFCO/County services agreement.
- Originally approved by the Commission in April 2001, the agreement allows LAFCO to contract with the County for certain services.
- Proposed amendments to the agreement will allow LAFCO to maintain its own accounting system to better track project and budget issues and eliminate County services that LAFCO no longer needs.
- The amended services agreement is scheduled for Commission consideration on July 14, 2004.

➤ *GIS Project*

Collaborative effort with County of Orange PF&RD and GIS Division to acquire GIS data for internal use.

Status

- Entered into a new and revised license agreement with the County of Orange for the acquisition and use of County GIS data.
- Under the agreement, acquired newer and better data allowing enhanced uses of the GIS software applications.
- Continuing to enhance staff training opportunities.
- Continuing to improve reproduction capabilities and aesthetics of presentation maps for the Commission.

➤ *Archiving Files*

Develop efficient and effective archival system for LAFCO documents and reports for safekeeping and easy retrieval.

Status

- Staff obtained bids and interviewed two private firms with the capabilities to install a system for archiving LAFCO files and documents.
- System costs and budget constraints in FY 2004-2005 precluded staff from implementing this system.
- An archival system will be reconsidered in FY 2005-2006 if sufficient funding is available.

PROACTIVE PROJECTS:

➤ *CALAFCO Annual Conference*

Orange County LAFCO is hosting the CALAFCO annual conference in September 2004 which will be held at the Grand Californian Hotel in Downtown Disney. Staff will be involved in coordinating program and special events for the conference.

Status

- CALAFCO conference program committee successfully launched its Website for this year's conference.
- Session topics, a tentative conference schedule, and conference registration forms have all been developed.
- Keynote speaker has been secured.

➤ *Large Islands Program*

Collaborative effort between LAFCO, County of Orange, and respective cities for the potential annexation of large unincorporated areas to adjacent cities.

Status

- To date, staff has focused on completion of the Unincorporated Islands Program which addresses annexation of small islands which are 75 acres or less in size.
- Staff has initiated preliminary discussions with the Cities of Anaheim and Orange over the potential annexation of large islands within their cities.
- As outlined under the "Mandatory Projects" of this report, staff continues to work with the County, the City of Brea and the landowner to facilitate annexation of the 790-acre Tonner Hills island to Brea.

➤ *Rancho Mission Viejo/New Communities Policy*

Collaborative effort with the County and Rancho Mission Viejo LLC to develop a regional new town concept for undeveloped, unincorporated territory within Rancho Mission Viejo's land holdings in southeast Orange County.

Status

- In 2002 and 2003, LAFCO staff participated in the South County Outreach and Review Effort (SCORE) to secure early public input on the planning process for Ranch Mission Viejo.
- In June 2004, a Draft EIR addressing a proposed General Plan Amendment/Zone Change to allow up to 14,000 residential units and unspecified additional uses on the Ranch property was circulated for review and comment.

- As the planning process for this property ensues, LAFCO will continue to work with the landowner and the County to develop a long-term governance strategy to ensure efficient and cost effective service provision for this area.

➤ *Legislation*

Proactive involvement with legislators, legislative staff, state associations, local agencies, and CALAFCO on legislation of special interest to the Commission.

Status

- Continuing to work closely and collaboratively with CALAFCO on the sponsoring, drafting, and lobbying of legislation of special interest to the Commission.
- Maintaining good staff-level working relationships with legislative offices, committee staff, and other key local government state associations (e.g., ACWA, League of Cities, CSAC, CSDA).
- Continuing to keep Orange County legislators and staff updated and informed about LAFCO's MSR Program.

ATTACHMENT 2

MUNICIPAL SERVICE REVIEW PROGRAM UPDATE 2004 MSR Prototypes

Introduction

During the past year and a half, LAFCO staff has been working closely with the Commission's Municipal Service Review ("MSR") Oversight Committee and a team of professional consultants to design and implement a strategic and programmatic approach to conducting MSRs in Orange County. As part of that MSR Program, the Commission received a consultant report on August 13, 2003 containing findings drawn from a series of 35 countywide stakeholder interviews and authorized staff to launch two MSR "prototypes" as part of the next phase of the MSR Program. On December 10, 2003, the Commission received its first update report from the MSR Oversight Committee and LAFCO staff on the status of the program, including a detailed and comprehensive overview of an MSR process model developed by the Oversight Committee for implementation in the two upcoming prototypes:

1. Los Alamitos / Seal Beach / Rossmoor / Sunset Beach
2. Orange / Villa Park / Orange Sphere of Influence

In January 2004, staff launched the two MSR prototypes, implementing the MSR process model and establishing a work plan for a stakeholder-driven working group process. The following report provides a mid-year update on the two MSR prototypes, including a review of the MSR process model, the prototype work plans, and narrative summaries of the status of each prototype. The December 10, 2003 MSR Program Update Report is attached for reference as Exhibit "A" and includes a detailed discussion of the MSR process model that has been implemented in the two prototypes.

MSR Process Model

The MSR process model sets forth a stakeholder-driven working group process designed to create a regional forum for dialogue among local agencies and the public about opportunities to regionally and collaboratively plan for future growth challenges within a designated "focus area." The process leads stakeholders through a series of meetings and discussions that drive toward the development of a regional *20-year vision plan* that identifies alternative opportunities, strategies, and solutions to help agencies address future growth and service challenges in the study area while providing LAFCO a constructive and meaningful tool for meeting its statutory obligations under the MSR law. Those statutory requirements include: (1) the development and adoption of nine

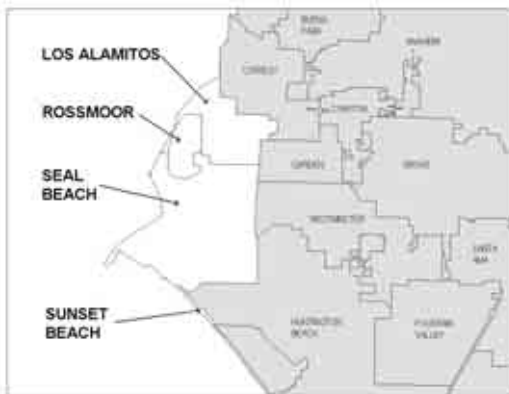
determinations regarding current and future governance, service, and infrastructure needs and opportunities; and (2) updates to spheres of influence (“SOIs”) for each of the affected agencies in the focus area. As outlined in the process model, stakeholders participating in a working group include staff and public representatives from the County of Orange, cities, special districts, and major unincorporated communities within the designated focus area.

As part of the Commission’s programmatic approach to MSRs, this process model is envisioned to be implemented countywide through a series of “focus areas” over a recurring five-year period to encompass more than 60 local agencies and SOIs (34 cities and more than 26 special districts, independent and dependent) and to provide a valuable and meaningful process that meets the statutory requirements and legislative intent of the MSRs. The consistent application of the MSR process model to LAFCO’s two current MSR prototypes provides an important evaluative tool and process to refine and further develop the model prior to full implementation countywide.

2004 MSR Prototypes & Work Plans

In January of this year, staff launched two MSR prototypes in distinct areas of the County and developed detailed work plans for the development of 20-year vision plans for each focus area through a stakeholder working group process.

LOS ALAMITOS / SEAL BEACH /
ROSSMOOR / SUNSET BEACH



ORANGE / VILLA PARK /
ORANGE SOI



As outlined in the MSR process model, stakeholder working groups have been formed and established in each prototype focus area and are composed of County, city, special district, and public representatives. Consistent work plans have been drafted for the two prototypes outlining a series of working group meetings that include specific discussion topics and desired outcomes formulated to lead the groups toward their 20-year vision plans. Key components of the work plans include:

- ▶ The development and adoption of a statement of purpose for the stakeholder working group.
- ▶ The identification of shared issue areas or “quality of life” concerns by stakeholders relevant to the governance, services, and infrastructure of the focus area.
- ▶ The collection, presentation, and review of accurate and reliable data and information about future growth and anticipated challenges or gaps in the focus area.
- ▶ The specific identification of future and regional governance, service, and infrastructure challenges in the focus area.
- ▶ The brainstorming and development of short-range and long-range alternative strategies, solutions, and plans to help agencies and decision-makers address the future and regional challenges in the focus area.
- ▶ The development of a 20-year vision plan for the focus area containing:
 - Accurate and reliable data and information about future growth and anticipated challenges or gaps.
 - Descriptions and discussion of the critical future and regional governance, service, and infrastructure challenges identified by the working group for the focus area.
 - Short-range and long-range alternative strategies, solutions, and plans to help agencies address the future and regional challenges in the focus area.

Format, Roles, and Responsibilities

To maintain momentum and keep stakeholders engaged in the process, approximately 10 meetings of the stakeholder working groups were scheduled upfront and spaced about three weeks apart. Each meeting is facilitated and run by an outside consultant hired by LAFCO – Sharon Browning of Sharon Browning & Associates – giving LAFCO staff the ability and opportunity to actively participate on the working groups as a stakeholder in the process. Throughout the work plan, LAFCO has and will continue to utilize other outside resources and consulting services (e.g., Conrad and Associates, Economic Planning Systems, The Keith Companies) for data synthesis and analysis, technical expertise and knowledge, and high-level brainstorming.

LAFCO also provides staff support to the stakeholder working groups, including data and information collection, meeting notes/minutes, and report writing. The 20-year vision plans will be drafted by LAFCO staff based on the stakeholder working group discussions and outcomes.

Status Updates on 2004 MSR Prototypes

To date, the stakeholder working groups in both MSR prototypes have held and completed five meetings and are approximately halfway through their work plans. Please refer to Pages 6 through 10 of this report for detailed and comprehensive status updates on the 2004 MSR Prototypes.

20-Year Vision Plan

Upon completion of the 20-year vision plan for each MSR prototype, stakeholders will be asked to take the final plan back to their respective councils, boards, and commissions for review and consideration of the various short-range and long-range alternatives contained in the plan. They may agree with some, all, or none of the alternatives. The varying responses to the ranges of alternatives by the different agencies will provide an indication of where and when there may be opportunities for future inter-agency collaborations and planning efforts.

LAFCO's Nine Determinations and SOI Updates

LAFCO as a stakeholder will also review and consider the 20-year vision plan and use the data, information, and alternatives contained in the plan as the foundation, basis, and/or starting point for developing and adopting the Commission's nine required determinations and for updating spheres of influence. The nine determinations required under Government Code Section 56430 are:

1. Infrastructure needs or deficiencies
2. Growth and population projections for the affected area
3. Financing constraints and opportunities
4. Cost avoidance opportunities
5. Opportunities for rate restructuring
6. Opportunities for shared facilities
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers
8. Evaluation of management efficiencies
9. Local accountability and governance

Prototype Evaluation and Five-Year Implementation Plan

Upon completion of the 2004 MSR prototypes, the Commission will review and evaluate the successes and shortcomings of the MSR model in both prototypes:

- ▶ Did we satisfy our statutory obligations?

- ▶ Did we meet our guiding principles?
- ▶ Were the MSRs future-oriented?
- ▶ Were the studies valuable to stakeholders and the public?
- ▶ Was the process open to and inclusive of the public?

Based on this evaluation, the Commission will revise and refine the MSR model before fully implementing the MSR Program in other focus areas. Staff is continuing to work with consultants and the MSR Oversight Committee to develop a broader five-year (2005-2009) implementation plan for the entire MSR Program that will include multiple focus areas covering more than 60 local agencies and specified regional or countywide MSRs. The five-year implementation plan is anticipated to be a substantive discussion item at the Commission's 2005 Annual Strategic Planning Session.

[Please turn to the following section of the report (pgs. 6-10) for detailed and comprehensive status updates on the 2004 MSR Prototypes.]

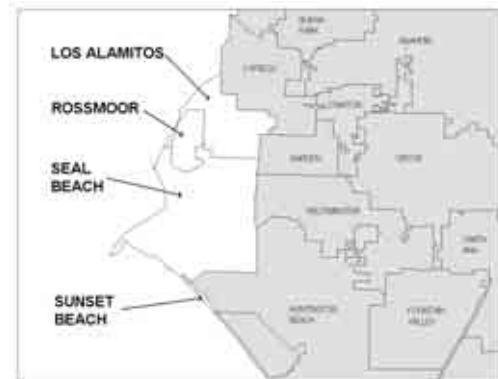
Status Updates – 2004 MSR Prototypes

The following status updates for the 2004 MSR Prototypes highlight the current progress of the prototypes and provide preliminary insights about the future growth and service challenges that have been identified in these focus areas.

Los Alamitos / Seal Beach / Rossmoor / Sunset Beach

Overview

In January 2004, the Los Alamitos/Seal Beach/Rossmoor/Sunset Beach MSR Working Group began a series of stakeholder meetings to discuss common issues and service gaps that may impact their communities' quality of life over the next 20 years. As the discussions have evolved, working group members have worked collaboratively to establish a common mission for stakeholders and develop a strategic work plan to effectively address the pertinent issues facing the focus area. To clearly define the charge of the group, working group members adopted the following purpose statement at the outset of the process:



"The purpose of the Municipal Service Review (MSR) Stakeholder Working Group is to develop a 20-year vision plan which addresses future governance and municipal service delivery issues in the MSR focus area. The vision plan will be based on sound demographic, technical, and fiscal data, and designed to maintain or enhance the quality of life within the MSR focus area."

Affected Stakeholders

Affected agencies and major unincorporated communities in the focus area include:

CITY	Los Alamitos Seal Beach
SPECIAL DISTRICT / UTILITY	Rossmoor Community Services District Rossmoor/Los Alamitos Area Sewer District Sunset Beach Sanitary District
MAJOR UNINCORPORATED COMMUNITY	Rossmoor Sunset Beach
COUNTY	County of Orange

Quality of Life

To date, the MSR Working Group has held five interactive meetings to support their purpose statement and strategic work plan. These high level discussions have created a foundation for the common issues shared by the affected agencies and communities located within the MSR focus area. In addition to the commonalities that have been identified, it has been clearly recognized that each area has its own unique identity and characteristics. However, to address the issues for the focus area at a macro level, the working group worked diligently to develop a collective “quality of life” definition as well as identify some key issues that commonly impact the entire focus area.

Data and Information

Over the course of the MSR working group meetings, LAFCO staff has collected a significant amount of municipal service cost data for the agencies and communities located within the focus area. The data has been reviewed by the stakeholder working group and has begun to provide a basis for identifying future issues/gaps/challenges and the development of alternatives to address those challenges.

Key Issues

Examples of two key issue areas that have been identified by the working group are:

- ▶ The long-term fiscal outlook and viability of each of the agencies
- ▶ Governance and services – costly and inefficient for the County to continue to pay for municipal services to the unincorporated communities of Sunset Beach and Rossmoor in the long-term

Additional challenges identified by the working group include:

- ▶ Maintaining current or enhanced levels of municipal services
- ▶ Maintenance of local parks and coastal areas
- ▶ Retaining quality educational institutions
- ▶ Public transportation that is accessible to key user populations
- ▶ Sufficient housing to meet the needs of existing and future residents
- ▶ Sufficient commercial areas located in close proximity to residents

Alternatives

To address the key issues/gaps/challenges identified by the working group, the group has begun to engage in brainstorming sessions to identify potential options for the focus area. As a result, collective alternatives to the existing and potential key challenges for the focus area have been initially developed.

To help further brainstorm and scope out alternatives, LAFCO staff has hired Economic Planning Systems (EPS), a consulting firm that specializes in public finance, fiscal modeling and analysis, and regional forecasting. EPS will assist in preparing high-level preliminary analyses of various alternative governance and fiscal scenarios.

Next Steps

In accordance with the strategic work plan for the Los Alamitos/Seal Beach/Rossmoor/Sunset Beach focus area, the progress and timeframe for the MSR are presently on target. Over the course of the next few months, staff anticipates the balance of the strategic work plan to be completed. Future components of the work plan include the development of short-range and long-range alternatives for the focus area and the drafting of the 20-year vision plan.

Orange / Villa Park / Orange SOI

Overview

In January 2004, the Orange/Villa Park/Orange SOI MSR Working Group initiated a series of stakeholder meetings to develop a collaborative, regional visioning and planning document for the future growth and development of the focus area and surrounding areas. In the six short months since the first working group meeting, the group has covered a broad range of topics and identified several key issues for further study and exploration relative to the impacts of future growth in the area. To clearly define the charge of the group, working group members adopted the following purpose statement at the outset of the process:



"The purpose of the MSR Stakeholder Working Group is to develop a 20-year vision plan which addresses future governance needs and community service delivery issues in the MSR focus area. The vision plan will be based on sound demographic, technical, and fiscal data, and designed to maintain or enhance the quality of life within the MSR focus area."

Affected Stakeholders

Affected agencies and major unincorporated communities in the focus area include:

CITY	Orange Villa Park
SPECIAL DISTRICT / UTILITY	East Orange County Water District Irvine Ranch Water District Orange Park Acres Mutual Water Company Santiago County Water District Serrano Water District Silverado-Modjeska Parks and Recreation District
MAJOR UNINCORPORATED COMMUNITY	North Tustin Orange Park Acres Silverado/Modjeska Canyons (Inter-Canyon League)
COUNTY	County of Orange

“Macro” Issues

Early on in the process, the working group identified some key existing municipal service challenges and issues for their agencies and communities. This discussion enabled the working group to generate a comprehensive brainstorm list of important issues that was later condensed down to eight “macro” issue categories. The macro issue categories were areas that the group agreed to explore further in the visioning process and included the following (not in order of priority):

- ▶ Water/Wastewater
- ▶ Land Use/Open Space Resources
- ▶ Transportation/Traffic
- ▶ Changing Demographics
- ▶ Infrastructure
- ▶ General Municipal Services (e.g., police, fire, schools, library)
- ▶ Fiscal
- ▶ Governance

Data and Information

During the next few months, LAFCO staff, with the assistance of consultant services, collected and synthesized relevant data on each of the eight macro issue categories to present to the working group. This “trending data” provided a foundation on which to build conclusions and/or assumptions about future challenges in the focus area in these eight issue categories. The data and information also served as a “spring board” for productive and constructive dialogue within the working group on key issues for the

focus area and helped generate more specific future-focused questions to be further studied and explored by smaller brainstorming committees of working group members.

Key Issues

Four key issue areas in particular were identified for further brainstorming study:

- ▶ Open Space Resources and Trails
- ▶ Septic-Sewer Conversion Challenges (Orange Park Acres/North Tustin)
- ▶ MSR for Unincorporated Island Areas (fiscal and governance issues)
- ▶ Water/Wastewater/Urban Runoff

Next Steps

Brainstorming committees have been formed are currently convening and working to: (1) further define the future governance, service, and infrastructure challenges associated with each of above four issue areas; and (2) brainstorm short-range and long-range alternative strategies, solutions, and plans to address those challenges. The alternatives identified by the brainstorming committees will provide the framework for the working group's 20-year vision plan.